

TAYLOR HOUSING COMMISSION
TAYLOR, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <i>Taylor Housing Commission</i>	County
Audit Date <i>3/31/04</i>	Opinion Date <i>8/27/04</i>	Date Accountant Report Submitted to State: <i>11/20/04</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	J		
Reports on individual federal financial assistance programs (program audits).			J
Single Audit Reports (ASLGU).	J		

Certified Public Accountant (Firm Name) <i>Barry E. Gaudette, CPA, PC</i>			
Street Address <i>1107 E. 9th Street</i>	City <i>Troy</i>	State <i>MI</i>	ZIP <i>49606</i>
Accountant Signature <i>Barry E. Gaudette, CPA</i>			

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INTRODUCTION

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

Board of Commissioners
Taylor Housing Commission
Taylor, Michigan

We have audited the accompanying statement of net assets of the Taylor Housing Commission, Michigan (a component unit of the City of Taylor) as of March 31, 2004, and the related statements of revenues, expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Taylor Housing Commission, Michigan, as of March 31, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2004 on our consideration of the Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Taylor Housing Commission
Independent Auditor's Report
Page Two

Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information the Government Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sandy E. Zandetti, CPA, PC

August 27, 2004

TAYLOR HOUSING COMMISSION
TAYLOR, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
March 31, 2004
=====

The Taylor Housing Commission, created in 1967, by the City of Taylor provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended March 31, 2004. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

Financial Highlights

The financial statements for Taylor Housing Commission consists of three programs. The first is owned housing, consisting of 102 units of public housing, the second is the capital funding program and the third is the housing choice voucher program consisting of 406 qualifying low-income residents for rental housing.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent fiscal year by \$2,644,939. The Housing Commission's total net assets decreased by \$150,110. The decrease is attributable in part to depreciation expense of \$133,885.

Total assets of the Housing Commission were \$2,686,301 and also, there was \$438,959 of current assets and \$29,263 in current liabilities.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- * Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- * Statement of Revenues, Expenses, and Changes in Fund Net Assets - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- * Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

TAYLOR HOUSING COMMISSION
TAYLOR, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A) - CONTINUED
March 31, 2004

=====

Financial Analysis of the Housing Commission

The following combined condensed balance sheets show a summary of changes for the years ended March 31, 2004 and 2003.

	<u>2004</u>	<u>2003</u>	<u>Net Change</u>
Current assets	\$ 438,959	\$ 765,580	\$(326,621)
Property and equipment	<u>2,247,342</u>	<u>2,303,244</u>	<u>(55,902)</u>
Total assets	<u>\$2,686,301</u>	<u>\$3,068,824</u>	<u>\$(382,523)</u>
Current liabilities	\$ 29,263	\$ 273,775	\$(244,512)
Noncurrent liabilities	<u>12,099</u>	<u></u>	<u>12,099</u>
Total liabilities	<u>41,362</u>	<u>273,775</u>	<u>(232,413)</u>
Net assets:			
Invested in capital assets	2,247,342	2,303,244	(55,902)
Unrestricted	<u>397,597</u>	<u>491,805</u>	<u>(94,208)</u>
Total net assets	<u>2,644,939</u>	<u>2,795,049</u>	<u>(150,110)</u>
Total liabilities and net assets	<u>\$2,686,301</u>	<u>\$3,068,824</u>	<u>\$(382,523)</u>

TAYLOR HOUSING COMMISSION
TAYLOR, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A) - CONTINUED
March 31, 2004

=====

Financial Analysis of the Housing Commission (continued)

The following table of summarizes the Statement of Revenues, Expenses and Changes in Net Assets of the Housing Commission for the years ended March 31, 2004 and 2003.

	<u>2004</u>	<u>2003</u>	<u>Net Change</u>
Operating revenues:			
Dwelling rent	\$ 271,424	\$ 248,964	\$ 22,460
Nondwelling rent	<u>4,205</u>	<u>3,752</u>	<u>453</u>
Total operating revenues	<u>275,629</u>	<u>252,716</u>	<u>22,913</u>
Operating expenses:			
Administration	276,235	288,463	(12,228)
Tenant services	1,367	1,903	(536)
Utilities	89,729	109,619	(19,890)
Ordinary maintenance and operation	198,383	138,891	59,492
General expenses	32,124	43,180	(11,056)
Extraordinary maintenance	34,044		34,044
Casualty losses		(8,251)	8,251
Housing assistance payments	2,528,751	2,270,338	258,413
Depreciation	<u>133,885</u>	<u>126,465</u>	<u>7,420</u>
Total operating expenses	<u>3,294,518</u>	<u>2,970,608</u>	<u>323,910</u>
Non-operating revenue (expense):			
Interest income	3,066	3,262	(196)
Operating grants	2,905,619	2,846,443	59,176
Other government grants		11,751	(11,751)
Other income	<u>6,039</u>	<u>4,314</u>	<u>1,725</u>
Total nonoperating revenue (expense)	<u>2,914,724</u>	<u>2,865,770</u>	<u>48,954</u>
Change in Net Assets	<u>\$ (104,165)</u>	<u>\$ 147,878</u>	<u>\$ (252,043)</u>

FINANCIAL STATEMENTS

TAYLOR HOUSING COMMISSION
COMBINED STATEMENT OF NET ASSETS
March 31, 2004
=====

ASSETS

Current Assets:

Cash	\$ 77,815
Accounts receivable-HUD	88,410
Accounts receivable-tenants	14
Investments-unrestricted	250 416
Prepaid expenses	21,914
Due from other programs	<u>390</u>

Total Current Assets	<u>438,959</u>
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Property, Plant, and Equipment:

Land	760,000
Buildings	3,680,765
Equipment	370,733
Building improvements	<u>117,232</u>

	4,928,730
Less: accumulated depreciation	<u>(2,681,388)</u>

Net Property, Plant, and Equipment	<u>2,247,342</u>
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Total Assets	<u><u>\$ 2,686,301</u></u>
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See notes to financial statements

TAYLOR HOUSING COMMISSION
COMBINED STATEMENT OF NET ASSETS (CONTINUED)
March 31, 2004
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LIABILITIES and NET ASSETS

Current Liabilities:	
Tenant security deposit liability	\$ 23,958
Accrued expenses	4,901
Deferred revenues	14
Due to other programs	<u>390</u>
Total Current Liabilities	29,263
Noncurrent Liabilities:	
Accrued compensated absences	<u>12,099</u>
Total Liabilities	<u>41,362</u>
Net Assets:	
Invested in capital assets	2,247,342
Unrestricted net assets	<u>397,597</u>
Total Net Assets	<u>2,644,939</u>
Total Liabilities and Net Assets	<u>\$ 2,686,301</u>

See notes to financial statements

TAYLOR HOUSING COMMISSION
**COMBINED STATEMENT OF REVENUE, EXPENSES AND
 CHANGES IN NET ASSETS**
 Year Ended March 31, 2004

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OPERATING REVENUES:

Dwelling rent	\$ 271,424
Non-dwelling rent	<u>4,205</u>
Total operating revenues	<u>275,629</u>

OPERATING EXPENSES:

Administration	276,235
Tenant services	1,367
Utilities	89,729
Ordinary maintenance and operation	198,383
General expenses	32,124
Extraordinary maintenance	34,044
Housing assistance payments	2,528,751
Depreciation	<u>133,885</u>
Total operating expenses	<u>3,294,518</u>

Operating income(loss)	<u>(3,018,889)</u>
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NONOPERATING REVENUES AND (EXPENSES):

Investment interest income	3,066
Other income	6,039
Operating grants	<u>2,905,619</u>

Total nonoperating revenues(expenses)	<u>2,914,724</u>
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Net income(loss)	(104,165)
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Prior period adjustments, equity transfers and correction of errors	(45,946)
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Net assets, beginning	<u>2,795,050</u>
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Net assets, ending	<u>\$ 2,644,939</u>
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See notes to financial statements

TAYLOR HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS
Year Ended March 31, 2004
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Cash flows from operating activities:	
Operating(loss)	\$(3,018,889)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	133,885
Adjustments	(45,946)
Changes in assets and liabilities:	
(increase) decrease in assets:	
Accounts receivable	33
Due from other funds	50,505
Prepaid expenses	(1,078)
Increase (decrease) in liabilities:	
Accounts payable-operations	(9,279)
Accrued wage/payroll taxes	(3,557)
Accrued compensated absences	5,346
Tenant security deposits	1,818
Deferred revenues	(508)
Accrued liabilities-other	3,557
Due to other funds	(50,505)
Net cash (used in) operating activities	<u>(2,934,618)</u>
 Cash flows from noncapital financing activities:	
Operating grants	2,685,426
Other revenue	<u>6,039</u>
Net cash provided by noncapital financing activities	<u>2,691,465</u>
 Cash flows from capital and related financing activities:	
Payments for capital acquisitions	<u>(77,983)</u>
Net cash (used in) and related financing activities	<u>(77,983)</u>

TAYLOR HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2004
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Cash flows from investing activities:

Certificates of deposits purchased	(250,416)
Receipts of interest and dividends	<u>3,066</u>

Net cash provided by investing activities	<u>(247,350)</u>
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Net increase(decrease) in cash	(568,486)
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Cash, beginning	<u>646,301</u>
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Cash, ending	<u><u>\$ 77,815</u></u>
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Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:

Cash	\$ 77,815
Restricted cash	<u> </u>

Cash and cash equivalents per balance sheet	<u><u>\$ 77,815</u></u>
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See notes to financial statements

TAYLOR HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2004
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Taylor Housing Commission. The Taylor Housing Commission is a component unit of the City of Taylor, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Taylor on May 29, 1967, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Taylor Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-871, the Housing Commission constructed, maintains and operates 102 units of subsidized housing in the City of Taylor, Michigan. Under Contract, the Housing Commission manages a Housing Choice Voucher program of subsidies for 406 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission and an administrative fee based on the number of households it assists under its Housing Choice Voucher program.

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a

TAYLOR HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the statement of net assets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net asset components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City of Taylor has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

TAYLOR HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$300 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Land improvements	20 - 40 years
Buildings	40 years
Building improvements	15 - 40 years
Equipment - portable	10 years
Furnishings	7 - 10 years
Office equipment	5 - 7 years

TAYLOR HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets represents pre-2001 contributions from grants, HUD notes, and other aids for capital acquisitions and improvements.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested capital assets rather than unrestricted net assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation leave: With the written permission of the Executive Director, up to two(2) weeks of paid vacation time may be accumulated and carried over from one year to the next year. If more than one(1) week is carried over to a subsequent year, at least one(1) week of that carried over vacation time must be used during the succeeding year. No employee may accumulate more than four(4) weeks of paid vacation time at any time. Employees who have unused vacation time that cannot be accumulated will receive payment for that portion of unused

TAYLOR HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacation and Sick Leave (Continued)

- * vacation on the first pay day following their anniversary date.

In the event an employee leaves the employ of the Housing Commission for any reason, the employee will be paid for any accrued but unused vacation time, calculated on a pro-rata basis from their anniversary date on the next scheduled pay day.

- * Sick pay: All regular full time employees are eligible to accrue paid days off for sick leave. Paid sick days accrue at the rate of one(1) day for each calendar month of service, up to a maximum of thirty-four(34) days.

In the event an employee leaves the employ of the Housing Commission, payment of accrued but unused sick days will be as follows:

- A. If the termination is the result of death or retirement, the employee will be paid one-half (1/2) of the cash value of the total of their accrued but unused sick days, paid at their rate of pay at the time of payment, not to exceed 17 days;
 - B. If the termination is the result of resignation, and the employee has a minimum of five(5) years of continuous employment with the Housing Commission, the employee will be paid one-third (1/3) of the cash value of the total of their accrued but unused sick days, paid at their rate of pay at the time of payment, not to exceed 11 and (1/3) days; and,
 - C. If the termination is involuntary, e.g. if the employee is terminated, payment of accrued but unused sick days will be at the discretion of the Housing Commission.
- * Unpaid personal leave may be granted for periods of up to four(4) weeks in length to all regular full-time employees who have worked for the Housing Commission for 180 days or more of continuous service.

TAYLOR HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacation and Sick Leave (Continued)

The amount of accumulated benefits at March 31, 2004, was \$13,443, and is recorded as a liability in the applicable funds.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: CASH AND INVESTMENTS

The Housing Commission maintains cash and investment accounts in the Low Rent Program and Housing Choice Voucher funds. Landlord checks are processed through the Housing Choice Voucher account. All other receipts and disbursements are processed through the Low Rent Program accounts.

HUD authorizes the Housing Commission to invest in certificates of deposit, money-market funds, United States government securities, and repurchase agreements fully collateralized by United States government securities.

The Housing Commission's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

Category 1: Includes deposits that are insured, registered, or for which the collateral securities are held by the Housing Commission or its agent in the Housing Commission's name. This includes FDIC or equivalent insurance coverage.

Category 2: Includes deposits for which the collateral securities are held by the dealer's trust department or agent in the Housing Commission's name.

TAYLOR HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2004
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NOTE 2: CASH AND INVESTMENTS (Continued)

Category 3: Includes all uninsured and uncollateralized deposits.

For all deposits shown below, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times during the year, the Housing Commission's deposits may have been higher than the March 31, 2004, balances detailed below. This means that the Housing Commission's risk and exposure could have been higher at these times. The Housing Commission had no significant type of deposits during the year not included below.

<u>Depository</u>	<u>Depository Balances by Category</u>				<u>Carrying Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>	
National City Bank	\$331,657	\$ _____	\$ _____	\$331,657	\$327,056
Total Deposits	<u>\$331,657</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$331,657</u>	327,056
Change fund					100
Petty cash					<u>1,075</u>
					<u>\$328,231</u>
<u>Reconciliation to Cash on Balance Sheet</u>					
Cash					\$ 77,815
Investments					250,416
Restricted cash					<u>-</u>
Total					<u>\$328,231</u>

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At March 31, 2004, the receivables were \$14 with \$ -0- estimated as uncollectible. Bad debt expense was \$-0-.

TAYLOR HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 3: RECEIVABLES AND PAYABLES (Continued)

Accounts Receivables - HUD

Amounts due from HUD represents funding due the Housing Commission for actual expenses for the programs financed. Balances at March 31, 2004 were as follows:

Low Rent Program	\$ -0-
Capital Fund Program	<u>88,410</u>
Total	<u>\$ 88,410</u>

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	\$ 390	Capital Fund Program	\$ 390
	<u>\$ 390</u>		<u>\$ 390</u>

The capital fund program transferred \$27,500 to the Low Rent Program during the fiscal year ended March 31, 2004.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2004 was as follows:

	<u>Balance 03/31/03</u>	<u>Additions/Retirements/ Transfers</u>	<u>Transfers</u>	<u>Balance 03/31/04</u>
Capital Fund Program				
Building improvements	<u>\$ 149,336</u>	<u>\$</u>	<u>\$(32,104)</u>	<u>\$ 117,232</u>

TAYLOR HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2004
 =====

NOTE 4: CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>03/31/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>03/31/04</u>
Low Rent Program				
Land	\$ 760,000	\$	\$	\$ 760,000
Buildings	3,602,546	78,219		3,680,765
Furniture, equip. & machinery - dwellings	215,194	5,799		220,993
Furniture, equip. & machinery - administration	<u>96,520</u>	<u>24,177</u>		<u>120,697</u>
	4,674,260	<u>\$ 108,195</u>	<u>\$</u>	4,782,455
Less accumulated depreciation	<u>(2,520,352)</u>	<u>\$(131,993)</u>	<u>\$</u>	<u>(2,652,345)</u>
Total	<u>\$2,153,908</u>			<u>\$2,130,110</u>

	<u>Balance</u> <u>03/31/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>03/31/04</u>
Housing Choice Voucher Program				
Furniture, equip. and machinery- administration	<u>\$ 27,151</u>	<u>\$ 1,892</u>	<u>\$</u>	<u>\$ 29,043</u>
	27,151	<u>\$ 1,892</u>	<u>\$</u>	29,043
Less accumulated depreciation	<u>(27,151)</u>	<u>\$(1,892)</u>		<u>(29,043)</u>
Total	<u>\$</u>			<u>\$</u>

TAYLOR HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 5: CONTRIBUTED CAPITAL

The following is a summary of the activity in the Contributed Capital accounts:

	<u>Invested in Capital Assets</u>
Balance, beginning	\$ 2,153,908
Adjustment	<u>(23,798)</u>
Balance, ending	<u>\$ 2,130,110</u>

NOTE 6: POST EMPLOYMENT BENEFITS

The Taylor Housing Commission participates in a pension plan, the Municipal Employees' Retirement System, (MERS). MERS is a Defined Benefit Program which operates within the Michigan Department of Management and Budget, Bureau of Retirement Systems. The pension covers all eligible full-time employees and requires a minimum contribution by the employee. At December 31, 2003, the date of the last completed actuarial evaluation, the Housing Commission's termination liability for retirement benefits is \$31,634 (employer and employee combined). Valuation assets available to meet this obligation were \$63,778. The Housing Commission contributed \$11,080 and employees \$9,374 during the calendar year 2003. There are five (5) active members, no vested former members, and no retirees and beneficiaries. There is an overfunded balance of \$32,144 as of December 31, 2003. Statistical information concerning the plan can be obtained from MERS, which is contained in their annual report.

NOTE 7: CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

TAYLOR HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2004
 =====

NOTE 8: RISK MANAGEMENT AND LITIGATION

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

NOTE 9: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Housing Commission maintains three Enterprise Funds which provide housing assistance and grant programs. Segment information for the year ended March 31, 2004, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>
Operating revenue	\$ 275,629	\$	\$
Depreciation	131,993		1,892
Operating(loss)	(275,787)		(2,743,100)
Operating grants	118,618	27,500	2,759,501
Net income(loss)	(123,014)		18,851
Operating transfers	27,500	(27,500)	
Plant, property, and equipment:			
Additions	108,195		1,892
Deletions		(32,104)	
Working capital	151,639		258,057
Total assets	2,310,622	117,232	258,057
Total net assets	2,269,650	117,232	258,057

**NOTE 10: PRIOR PERIOD ADJUSTMENTS, EQUITY TRANSFERS AND
 CORRECTION OF ERRORS**

Low Rent Program

Adjustment of prior year accruals \$ (13,842)

Public Housing Capital Fund Program

To correct prior year soft cost on
 CFP 2001 \$ (32,104)

SUPPLEMENTARY INFORMATION

TAYLOR HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
 March 31, 2004
 =====

	C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
ASSETS		
Current assets:		
Cash	\$ 70,479	\$
Accounts receivable-HUD		
Accounts receivable-tenant	14	
Investments-unrestricted	87,715	
Prepaid expenses	21,914	
Due from other programs	<u>390</u>	
Total current assets	<u>180,512</u>	
Property, plant, and equipment:		
Land	760,000	
Buildings	3,680,765	
Equipment	341,690	
Building improvements	<u>117,232</u>	
	4,782,455	117,232
Less accumulated depreciation	<u>(2,652,345)</u>	
Net property, plant and equipment	<u>2,130,110</u>	<u>117,232</u>
Total Assets	<u><u>\$2,310,622</u></u>	<u><u>\$ 117,232</u></u>

Housing Choice Vouchers 14.871	Totals
\$ 7,336	\$ 77,815
88,410	88,410
	14
162,701	250,416
	21,914
	390
<u>258,447</u>	<u>438,959</u>
	760,000
	3,680,765
29,043	370,733
	<u>117,232</u>
29,043	4,928,730
(29,043)	(2,681,388)
	<u>2,247,342</u>
<u>\$ 258,447</u>	<u>\$ 2,686,301</u>

TAYLOR HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS (CONTINUED)
 March 31, 2004
 =====

C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
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LIABILITIES and NET ASSETS

Current liabilities:

Tenant security deposit liability	\$ 23,958	\$
Accrued expenses	4,901	
Deferred revenues	14	
Due to other programs		
	<u>28,873</u>	
Total current liabilities		

Noncurrent liabilities:

Accrued compensated absences	<u>12,099</u>	
Total noncurrent liabilities	<u>12,099</u>	
Total liabilities	<u>40,972</u>	

Net Assets:

Invested in capital assets	2,130,110	117,232
Unrestricted net assets	<u>139,540</u>	
Total net assets	<u>2,269,650</u>	<u>117,232</u>
Total Liabilities and Net Assets	<u>\$2,310,622</u>	<u>\$ 117,232</u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 23,958
	4,901
	14
<u>390</u>	<u>390</u>
<u>390</u>	<u>29,263</u>
<u></u>	<u>12,099</u>
<u></u>	<u>12,099</u>
<u>390</u>	<u>41,362</u>
<u>258,057</u>	<u>2,247,342</u>
	<u>397,597</u>
<u>258,057</u>	<u>2,644,939</u>
<u>\$ 258,447</u>	<u>\$ 2,686,301</u>

TAYLOR HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUE, EXPENSES AND
 CHANGES IN NET ASSETS**
 Year Ended March 31, 2004

=====

	C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 271,424	\$
Nondwelling rent	<u>4,205</u>	
Total operating revenues	<u>275,629</u>	
OPERATING EXPENSES:		
Administration	63,778	
Tenant services	1,367	
Utilities	89,729	
Ordinary maintenance and operation	198,383	
General expenses	32,124	
Extraordinary maintenance	34,044	
Housing assistance payments		
Depreciation	<u>131,993</u>	
Total operating expenses	<u>551,418</u>	
Operating income(loss)	<u>(275,789)</u>	
NONOPERATING REVENUES AND (EXPENSES):		
Operating transfers in (out)	27,500	(27,500)
Investment interest income	616	
Other income	6,039	
Operating grants	<u>118,618</u>	<u>27,500</u>
Total nonoperating revenues (expenses)	<u>152,773</u>	
Net income(loss)	<u>(123,016)</u>	
Prior period adjustments, equity transfers and correction of errors	<u>(13,842)</u>	<u>(32,104)</u>
Net assets, beginning	<u>2,406,508</u>	<u>149,336</u>
Net assets, ending	<u>\$2,269,650</u>	<u>\$117,232</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 271,424
	<u>4,205</u>
	<u>275,629</u>
212,457	276,235
	1,367
	89,729
	198,383
	32,124
	34,044
2,528,751	2,528,751
<u>1,892</u>	<u>133,885</u>
<u>2,743,100</u>	<u>3,294,518</u>
<u>(2,743,100)</u>	<u>(3,018,889)</u>
2,450	3,066
	6,039
<u>2,759,501</u>	<u>2,905,619</u>
<u>2,761,951</u>	<u>2,914,724</u>
18,851	(104,165)
	(45,946)
<u>239,206</u>	<u>2,795,050</u>
<u>\$ 258,057</u>	<u>\$ 2,644,939</u>

TAYLOR HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
Year Ended March 31, 2004
=====

	C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
Cash flows from operating activities:		
Operating(loss)	\$(275,789)	\$
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	131,993	
Adjustments	(13,842)	(32,104)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	33	
Due from other funds	50,505	
Prepaid expenses	(1,078)	
Increase (decrease) in liabilities:		
Accounts payable-operations	(9,279)	
Accrued wage/payroll taxes	(3,557)	
Accrued compensated absences	5,346	
Tenant security deposits	1,818	
Deferred revenues	(508)	
Accrued liabilities-other	3,557	
Due to other funds		(22,502)
Net cash (used in) operating activities	<u>(110,801)</u>	<u>(54,606)</u>
Cash flows from noncapital financing activities:		
Operating transfers in (out)	27,500	(27,500)
Operating grants	118,618	50,002
Other revenue	<u>6,039</u>	
Net cash provided by noncapital financing activities	<u>152,157</u>	<u>22,502</u>
Cash flows from capital and related financing activities:		
Payments for capital acquisitions	<u>(108,195)</u>	<u>32,104</u>
Net cash provided by(used in) capital and related financing activities	<u>(108,195)</u>	<u>32,104</u>

Housing Choice Vouchers <u>14.871</u>	Drug Elimination Grant <u>14.854</u>	<u>Totals</u>
\$ (2,743,100)	\$	\$ (3,018,889)
1,892		133,885 (45,946)
		33 50,505 (1,078)
		(9,279) (3,557) 5,346 1,818 (508) 3,557 (50,505)
(3,003)	(25,000)	(50,505)
(2,744,211)	(25,000)	(2,934,618)
2,491,806	25,000	2,685,426 6,039
<u>2,491,806</u>	<u>25,000</u>	<u>2,691,465</u>
(1,892)		(77,983)
(1,892)		(77,983)

TAYLOR HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
 Year Ended March 31, 2004

=====

	C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
Cash flows from investing activities:		
Certificates of deposits purchased	(87,715)	
Receipts of interest and dividends	<u>616</u>	
Net cash (used in) investing activities	<u>(87,099)</u>	
Net increase(decrease) in cash	(153,938)	
Cash, beginning	<u>224,417</u>	
Cash, ending	<u><u>\$ 70,479</u></u>	<u><u>\$</u></u>

Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:

Cash	\$ 70,479	\$
Restricted cash	<u> </u>	<u> </u>
Cash and cash equivalents per balance sheet	<u><u>\$ 70,479</u></u>	<u><u>\$</u></u>

Housing Choice Vouchers 14.871	Drug Elimination Grant 14.854	Totals
(162,701)		(250,416)
<u>2,450</u>		<u>3,066</u>
(160,251)		(247,350)
(414,548)		(568,486)
<u>421,884</u>		<u>646,301</u>
<u>\$ 7,336</u>	<u>\$</u>	<u>\$ 77,815</u>
\$ 7,336	\$	\$ 77,815
<u>7,336</u>	<u>\$</u>	<u>\$ 77,815</u>

TAYLOR HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended March 31, 2004
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	Federal Grantor	CFDA No.	Expenditures
	<u>U.S. Department of HUD</u>		
	Public and Indian Housing <u>Nonmajor - Direct Program</u>		
2004	Low Rent Public Housing	14.850	\$ 118,618
	Public and Indian Housing <u>Nonmajor - Direct Program</u>		
2004	Capital Fund Program	14.872	27,500
	Low Income Public Housing <u>Major - Direct Program</u>		
2004	Housing Choice Vouchers	14.871	<u>2,759,501</u>
	Total		<u>\$2,905,619</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

TAYLOR HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended March 31, 2004

=====

FDS Line Item No.		C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 70,479	\$
100	Total cash	<u>70,479</u>	
	Receivables:		
122	A/R-HUD other projects		
126	A/R-tenants-dwelling rents	<u>14</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>14</u>	
	Current Investments:		
131	Investments-unrestricted	<u>87,715</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	21,914	
144	Interprogram due from	<u>390</u>	
	Total other current assets	<u>22,304</u>	
150	Total current assets	<u>180,512</u>	
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	760,000	
162	Buildings	3,680,765	
163	Furn, equip & mach-dwellings	220,993	
164	Furn, equip & mach-admin.	120,697	
165	Building improvements		117,232
166	Accumulated depreciation	<u>(2,652,345)</u>	
160	Total fixed assets, net of accumulated depreciation	<u>2,130,110</u>	<u>117,232</u>
180	Total noncurrent assets	<u>2,130,110</u>	<u>117,232</u>
190	Total Assets	<u>\$ 2,310,622</u>	<u>\$117,232</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ <u>7,336</u>	\$ <u>77,815</u>
<u>7,336</u>	<u>77,815</u>
<u>88,410</u>	<u>88,410</u>
	<u>14</u>
<u>88,410</u>	<u>88,424</u>
<u>162,701</u>	<u>250,416</u>
	<u>21,914</u>
	<u>390</u>
	<u>22,304</u>
<u>258,447</u>	<u>438,959</u>
	<u>760,000</u>
	<u>3,680,765</u>
	<u>220,993</u>
<u>29,043</u>	<u>149,740</u>
	<u>117,232</u>
<u>(29,043)</u>	<u>(2,681,388)</u>
	<u>2,247,342</u>
	<u>2,247,342</u>
<u>\$ 258,447</u>	<u>\$ 2,686,301</u>

TAYLOR HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2004
 =====

FDS Line Item No.		C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
321	Accrued wage/payroll taxes payable	\$ 3,557	\$
322	Accrued compensated absences	1,344	
341	Tenant security deposits	23,958	
342	Deferred revenues	14	
347	Interprogram due to		
310	Total current liabilities	<u>28,873</u>	
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>12,099</u>	
350	Total noncurrent liabilities	<u>12,099</u>	
300	Total liabilities	<u>40,972</u>	
	Net Assets:		
	Contributed Capital:		
508.1	Invested in capital assets	<u>2,130,110</u>	<u>117,232</u>
508	Total contributed capital	2,130,110	117,232
512.1	Unrestricted net assets	<u>139,540</u>	
513	Total Net Assets	<u>2,269,650</u>	<u>117,232</u>
600	Total Liabilities and Net Assets	<u>\$ 2,310,622</u>	<u>\$117,232</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 3,557
	1,344
	23,958
	14
<u>390</u>	<u>390</u>
<u>390</u>	<u>29,263</u>
<u> </u>	<u>12,099</u>
<u> </u>	<u>12,099</u>
<u>390</u>	<u>41,362</u>
<u> </u>	<u>2,247,342</u>
	2,247,342
<u>258,057</u>	<u>397,597</u>
<u>258,057</u>	<u>2,644,939</u>
<u>\$ 258,447</u>	<u>\$ 2,686,301</u>

TAYLOR HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2004

FDS Line Item No.		C-871 Low Rent Program 14.850	Capital Fund Program 14.872
	Revenue:		
703	Net tenant rental revenue	\$ 271,424	\$
704	Tenant revenue-other	4,205	
705	Total tenant revenue	275,629	
706	HUD PHA grants	118,618	27,500
711	Investment income-unrestricted	616	
715	Other revenue	6,039	
700	Total revenue	400,902	27,500
	Expenses:		
	Administrative:		
911	Administrative salaries	14,177	
912	Auditing fees	675	
914	Compensated absences	5,346	
915	Employee benefit contributions-adm.	21,900	
916	Other operating-administrative	21,680	
	Tenant Services:		
924	Tenant services-other	1,367	
	Utilities:		
931	Water	13,860	
932	Electricity	45,727	
933	Gas	30,142	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	91,177	
942	Ordinary maint & oper-mat'ls & other	24,303	
943	Ordinary maint & oper-contract costs	82,903	
	General expenses:		
961	Insurance premiums	32,124	
969	Total operating expenses	385,381	
970	Excess operating revenue over operating expenses	15,521	27,500

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 271,424
	<u>4,205</u>
	275,629
2,759,501	2,905,619
2,450	3,066
	<u>6,039</u>
<u>2,761,951</u>	<u>3,190,353</u>
100,764	114,941
3,600	4,275
	5,346
27,300	49,200
80,793	102,473
	1,367
	13,860
	45,727
	30,142
	91,177
	24,303
	82,903
	<u>32,124</u>
<u>212,457</u>	<u>597,838</u>
<u>2,549,494</u>	<u>2,592,515</u>

TAYLOR HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2004

=====

FDS Line Item No.		C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	34,044	
973	Housing assistance payments		
974	Depreciation expense	<u>131,993</u>	
	Total other expenses	<u>166,037</u>	
900	Total expenses	<u>551,418</u>	
	Excess (deficiency) of operating revenue over (under) expenses before other financing sources (uses)	(150,516)	27,500
	Other Financing Sources (Uses):		
1001	Operating transfers in (out)	<u>27,500</u>	<u>(27,500)</u>
1000	Excess (deficiency) of operating revenue over (under) expenses	(123,016)	
1103	Beginning Net Assets	2,406,508	149,336
1104	Prior period adjustments, equity transfers and correction of errors	<u>(13,842)</u>	<u>(32,104)</u>
	Ending Net Assets	<u>\$ 2,269,650</u>	<u>\$117,232</u>

Housing Choice Vouchers	
<u>14.871</u>	<u>Totals</u>
	34,044
2,528,751	2,528,751
<u>1,892</u>	<u>133,885</u>
<u>2,530,643</u>	<u>2,696,680</u>
<u>2,743,100</u>	<u>3,294,518</u>
18,851	(104,165)
<u>18,851</u>	<u>(104,165)</u>
239,206	2,795,050
<u>239,206</u>	<u>(45,946)</u>
<u>\$ 258,057</u>	<u>\$ 2,644,939</u>

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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**Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Taylor Housing Commission
Taylor, Michigan

We have audited the financial statements of the Taylor Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2004, and have issued our report thereon dated August 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk

Report on Compliance and on Internal Control
In Accordance with Government Auditing Standard
Taylor Housing Commission
Page Two

Internal Control Over Financial Reporting - Continued

that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We have noted other matters involving the internal control over financial reporting that we have reported to management of the Housing Commission in a separate letter dated August 27, 2004.

This report is intended solely for the information and use of the audit committee, Board of Housing Commissioners, management, others within the organization, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Barry E. Landolt, CPA, PC

August 27, 2004

**Report on Compliance with Requirements
Applicable To Each Major Program and
Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Taylor Housing Commission
Taylor, Michigan

Compliance

We have audited the compliance of the Taylor Housing Commission, Michigan (Housing Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2004. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on the Housing Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance and Internal Control
Over Compliance in Accordance With
OMB Circular A-133
Taylor Housing Commission
Page Two

Compliance (continued)

In our opinion, Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2004.

Internal Control Over Compliance

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We have noted other matters involving the internal control over financial reporting that we have reported to management of the Housing Commission in a separate letter dated August 27, 2004.

This report is intended solely for the information and use of the audit committee, Board of Housing Commissioners, management, others within the organization, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sandy E. Sandtich, CPA, PC

August 27, 2004

TAYLOR HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 March 31, 2004
 =====

A. Summary of Audit Results

Financial Statements

1. Type of Auditor's Report issued: Unqualified
2. Internal control over financial reporting:
 - a. Material weakness identified No
 - b. Reportable condition identified that is not a material weakness No
3. Noncompliance material to financial statements: No

Federal Awards

1. Internal control over major programs:
 - a. Material weakness identified No
 - b. Reportable condition that is not a material weakness No
2. Type of auditor's report issued on compliance for major programs Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 No
4. Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program</u>	<u>Amount Expended</u>	<u>Major Program</u>	<u>Compliance Requirement</u>	<u>Questioned Costs</u>	<u>Audit Finding</u>
14.850	Low Rent Public Housing	\$ 118,618	No	0	N/A	N/A
14.872	Capital Fund Program	27,500	No	0	N/A	N/A
14.871	Housing Choice Vouchers	<u>2,759,501</u>	Yes	0	N/A	N/A
	Total	<u>\$2,905,619</u>				

5. Dollar threshold used to distinguish between type A and type B programs \$300,000
6. Auditee qualified as low-risk auditee? Yes

TAYLOR HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2004

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B.	Financial Statement Findings	None
C.	Federal Award Findings and Questioned Costs	None

TAYLOR HOUSING COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
March 31, 2004

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NONE

TAYLOR HOUSING COMMISSION
INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

MARCH 31, 2004

TAYLOR HOUSING COMMISSION
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MARCH 31, 2004

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Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Taylor Housing Commission

We have audited the financial statements of the Taylor Housing Commission ("Housing Commission") as of and for the year ended March 31, 2004, and have issued our report, thereon, dated August 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing our audit of the financial statements, we considered your internal control in order to determine our auditing procedures for purposes of expressing our opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There was one material audit adjusting journal entry, but no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and our responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in our judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see adjusting entries on page 5).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To our knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to our retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, we would welcome the opportunity to discuss them with you.

Sany & Vandell, CPA, PC

August 27, 2004

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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Traverse City, Michigan 49686
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**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Taylor Housing Commission

We have audited the financial statements of the Taylor Housing Commission ("Housing Commission") as of and for the year ended March 31, 2004, and have issued our report, thereon, dated August 27, 2004. We have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to our attention during the audit, are reported on the following pages as management advisory comments.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the Housing Commission's personnel during the course of our work.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, we would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

August 27, 2004

TAYLOR HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS

March 31, 2004

=====

Segregation of Duties in Check Writing

The Housing Commission's Housing Choice Vouchers Program has two employees who prepare the checks, have control over the signature machine and mail the landlord checks monthly.

We recommend that the Housing Commission have a third individual involved in the check writing process on a regular basis. This individual would preferably be one of the check signers.

Segregation of Duties in Tenant Rent Deposits

The Housing Commission has one employee that is responsible for collecting the tenant rents, recording the receipts, prepares the deposits and usually takes the deposit to the bank for the low rent program.

We recommend that the Housing Commission put in place a control where the same individual does not perform all of the steps in the receipting, depositing and recording of tenant rents.

TAYLOR HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES

March 31, 2004

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<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
LOW RENT			
PROGRAM			

There were no **audit** adjusting journal entries.